ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)

Consolidated Financial Statements for
the year ended December 31, 2016 and
Independent Auditors' Report

ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)
Consolidated financial statements
For the year ended December 31, 2016

INDEPENDENT AUDITORS' REPORT March 27, 2017

To the shareholders of Adeem Capital
(A Saudi Closed joint stock company)

Scope of audit

We have audited the accompanying consolidated balance sheet of Adeem Capital (the "Company") and its subsidiary (collectively the "Group") as of December 31, 2016 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes from 1 to 21 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified opinion

In our opinion, such consolidated financial statements taken as a whole:

- Present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2016 and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Company; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

Emphasis of matter

We would like to draw you attention to Note (1) to (21) which indicate that the accumulated losses of the Company exceeded 50% of share capital and accordingly, the shareholders resolved in a date subsequent to the consolidated balance sheet date to reduce the share capital of the Company by Saudi Riyals 15 million in order to absorb part of the accumulated losses of the Company. Also, the shareholders resolved to increase the share capital through cash contributions of Saudi Riyals 5 million. The legal formalities relating to these transactions still in progress as of the date of the approval of these consolidated financial statements.

PricewaterhouseCoopers

By: ____________________

Ali A. Alotaibi
License Number 379

ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)
Consolidated balance sheet
As of December 31,
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
Assets			
Current assets			
Cash and cash equivalents	3	**1,649,127**	217,371
Deposit, prepayments and other	4	**7,366,618**	9,103,689
Due from a related party	13	**4,356,604**	3,684,680
Short term loan to fund under management	13	**8,966,383**	10,000,000
Total current assets		**22,338,732**	23,005,740
Non-current assets			
Available for sale investments	5	**881,528**	4,452,009
Property and equipment	6	**701,791**	940,955
Total assets		**23,922,051**	28,398,704
Liabilities and shareholders' equity			
Current liabilities			
Accrued expenses and other		**1,553,574**	545,130
Accrued zakat	12	**913,389**	768,069
Total current liabilities		**2,466,963**	1,313,199
Non-current liability			
Employees' termination benefits		**342,814**	271,995
Total liabilities		**2,809,777**	1,585,194
Shareholders' equity			
Share capital	7, 21	**60,000,000**	60,000,000
Additional capital	8	**1,000,000**	-
Statutory reserve	9	**100,082**	100,082
Accumulated losses	1, 21	**(39,869,336)**	(32,574,873)
Unrealized loss on available for sale investments	5	**(118,472)**	(711,699)
Total shareholders' equity		**21,112,274**	26,813,510
Total liabilities and shareholders' equity		**23,922,051**	28,398,704

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)
Consolidated statement of income
For the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
Revenue from asset management services	13	**4,596,424**	2,384,577
Operating expenses	10	**(10,761,946)**	(10,705,998)
Operating loss		**(6,165,522)**	(8,321,421)
Other (loss) / income - net	11	**(983,621)**	193,102
Net loss before Zakat		**(7,149,143)**	(8,128,319)
Zakat	12.1	**(145,320)**	-
Net loss for the year		**(7,294,463)**	(8,128,319)
Loss per share:	15		
Loss from operation		**(1.03)**	(1.39)
Loss for the year		**(1.22)**	(1.35)

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)
Consolidated statement of cash flows
For the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities:			
Net loss before Zakat		**(7,294,463)**	(8,128,319)
Adjustments for:			
Depreciation	6	**653,164**	493,704
Zakat provision		**145,320**	-
Realized loss / (gain) on sale of available for sale investments	11	**1,099,144**	(177,535)
Employee termination benefits		**70,819**	-
		(5,326,016)	(7,812,150)
Changes in operating assets and liabilities:			
Deposit, prepayments and other current assets		**1,737,071**	(1,909,506)
Due from a related party		**(671,924)**	(1,849,221)
Accrued expenses and other current liabilities		**1,008,444**	369,864
Employee termination benefits paid		**-**	(80,862)
Net cash used in operating activities		**(3,252,425)**	(11,281,875)
Cash flows from investing activities:			
Proceeds from sale of available for sale investments		**3,064,564**	11,193,255
Additions to property and equipment	6	**(414,000)**	(62,431)
Net cash generated from investing activities		**2,650,564**	11,130,824
Cash flows from financing activities:			
Additional capital contribution		**1,000,000**	-
Partial collection of loan to fund under management	13	**1,033,617**	-
Net cash generated from financing activities		**2,033,617**	-
Net increase (decrease) in cash and cash equivalents		**1,431,756**	(151,051)
Cash and cash equivalents at the beginning of the year		**217,371**	368,422
Cash and cash equivalents at the end of the year	3	**1,649,127**	217,371
Non-cash supplemental information:			
Change in unrealized loss on available for sale investments	5	**593,227**	(1,136,655)

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

ADEEM CAPITAL
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in shareholders' equity
For the year ended December 31, 2016
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	**Additional capital**	**Statutory reserve**	**Accumulated losses**	**Unrealized (loss) / gain on available for sale investments**	**Total**
Balance at January 1, 2015	60,000,000	-	100,082	(24,446,554)	424,956	36,078,484
Net loss	-	-	-	(8,128,319)	-	(8,128,319)
Change in fair value	-	-	-	-	(1,136,655)	(1,136,655)
Balance as of December 31, 2015	60,000,000	-	100,082	(32,574,873)	(711,699)	**26,813,510**
Net loss	-	-	-	(7,294,463)	-	**(7,294,463)**
Amounts paid under additional capital account (Note 8)	-	1,000,000	-	-	-	**1,000,000**
Change in fair value of available for sale investments	-	-	-	-	593,227	**593,227**
Balance as of December 31, 2016	**60,000,000**	**1,000,000**	**100,082**	**(39,869,336)**	**(118,472)**	**21,112,274**

The accompanying notes 1 to 21 form an integral part of these consolidated financial statements.

1. General

a) Introduction

Adeem Capital is a Saudi closed joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030185935 dated Muharram 28, 1430H (corresponding to January 24, 2009).

The principal activities of the Company are the establishment and management of mutual funds and portfolio management and safe keeping services, as defined in the license issued by Capital Market Authority ("CMA") issued on Safar 5, 1431H (corresponding to January 20, 2010). During the year ended December 31, 2013, the Company formally commenced its asset management services.

Subsequent to the date of these consolidated financial statements, the shareholders of the Company resolved to decrease the share capital of the Company by Saudi Riyals 15 million to absorb part of the accumulated losses and then increase the share capital again through cash contributions amounting to Saudi Riyals 5 million. (See Note 21)

The registered address of the Company is:
P.O. Box 127473
Jeddah 21352
Kingdom of Saudi Arabia.

These consolidated financial statements comprise the financial statements of Adeem Capital Company ("Adeem Capital", "Adeem" or "the Company") its branch registered in Riyadh under separate Commercial Registration No 1010386883 and its subsidiary, Meeda Real Estate Company ("MEEDA"), collectively referred as the "Group" in these consolidated financial statements.

b) The subsidiary

The Group's subsidiary represents MEEDA, a limited liability company, registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030224211 dated Rabi Al Thani 11, 1433H (corresponding to March 4, 2012). Adeem holds a direct ownership of 95% in MEEDA, while the remaining 5% is beneficially held, on behalf of Adeem, by a related party and therefore no minority interest exist. The principal activities of MEEDA are the development, maintenance and operation of real estate investments, as well as acquiring and holding investments in real estates on behalf of and in trust of investment fund established and managed by the Company.

2. Critical accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These consolidated financial statements have been prepared under the historical cost convention, except for available for sale investments which are carried at fair value, using the accrual basis of accounting and the going concern basis.

b) Subsidiary

Subsidiary is an entity over which the Group has power to govern the financial and operating policies, so as to obtain benefits from its activities, generally accompanying an ownership interest of more than one half of the voting rights. Subsidiaries are consolidated from the date on which control is assumed or transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group.

Inter-group balances, income and expenses arising from inter-group transactions are eliminated in full in preparing the consolidated financial statements.

c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals, which is the functional currency of the Group.

d) Critical accounting judgment and estimates

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise its judgment in the process of applying the Group accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected by the revision.

Significant areas where management is required to exercise judgments, estimation and assumptions are as follows:

(I) Valuation of unquoted available for sale investments

Available for sale investments are carried at fair value. However, in the absence of a reliable fair value estimate, unquoted available for sale investments are carried at cost, less impairment losses, if any.

(II) Impairment of available for sale investments

The Group exercises judgment to calculate the impairment loss on available for sale investments. This includes the assessment of objective evidence which causes other than temporary decline in the value of available for sale investments. In case of equity instruments, any significant or prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires management judgment.

(III) Impairment of financial assets

The Group recognizes an impairment loss on a financial asset when there is an objective evidence of deterioration in the financial health or credit rating of the investee, industry and sector performance or changes in technology that adversely affect the counterparty.

(Iv) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that a non-financial asset (“asset”) may be impaired. If such indications exist, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit’s (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, other than for goodwill, if any, the reversal of the previously recognized impairment loss is recognized in the consolidated statement of income.

(v) Going concern

The Group’s management has made an assessment of the Group’s ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

e) Cash and cash equivalents

Cash and cash equivalents represent cash in hand and at banks and other short term highly liquid investments, if any, with original maturities of three months or less, which are available to the Group without any restrictions.

f) Available for sale investments (AFS)

Available for sale investments are non-derivative investments that are designated as AFS or not classified under another category of financial assets, and are intended to be held for an unspecified period of time, which may be sold in response to needs for liquidity or changes in special commission rates, exchange rates or equity prices.

Investments which are classified as available for sale are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at fair value except for unquoted equity securities whose fair value cannot be reliably measured which one therefore carried at cost less impairment losses, if any.

Any unrealized gains or losses arising from changes in fair value are recognized in equity until the investments are derecognized or impaired whereupon any cumulative gains or losses previously recognized in equity are reclassified to consolidated statement of income.

g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of individual items of these assets. Depreciation on additions during the year is charged from the month of addition, while no depreciation is charged in the month of retirement / disposal. The estimated useful lives of the principal classes of property and equipment are as follows:

	Number of years
Leasehold improvements	Shorter of estimated useful life (5 years) or lease period
Furniture and office equipment	5
Computer hardware and software	4

Upon disposal of an item of property and equipment, the resulting gain or loss, measured as the excess or shortfall between the selling price and carrying value respectively, is recognized in the consolidated statement of income. Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

h) Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the consolidated balance sheet date.

i) Revenue

Income from asset management and related services is recognized when the corresponding services are provided to the funds under management.

j) Expenses

All expenses are classified as operating expenses unless another classification is consistent with the nature of the item of expense and circumstances of the Group.

k) Foreign currency transactions

Transactions in foreign currencies are recorded in the books at the rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date. All exchange differences are recognized in the consolidated statement of income.

l) <u>Zakat</u>

The Group is subject to the Regulations of the General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat is provided on an accruals basis. The Zakat charge is computed at the higher of income for Zakat purposes for the year or Zakat base. Any difference in the previously recorded estimate is recognized when the final assessment is approved by the GAZT.

m) <u>Offsetting</u>

Financial assets and financial liabilities are offset and net amount is reported in the consolidated balance sheet only when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. Income and expenses are not offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

n) <u>Provisions</u>

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation; and the amount of provision can be reliably estimated.

o) <u>Dispose of financial assets</u>

The Group disposes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers substantially all risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the differences between the carrying amount of the asset, and the consideration received is recognized in the consolidated statement of income.

p) <u>Settlement accounting date</u>

All regular way purchases and sales of financial assets are recognized and derecognized on the settlement date, i.e. the date on which the asset is delivered to the counterparty. When settlement date accounting is applied, the Group accounts for any change in fair value between the trade date and the settlement date in the same way as it accounts for the acquired asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

q) <u>Accounts payable and accruals</u>

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

r) <u>Operating leases</u>

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease. Rental income, if any, is recognized on accrual basis in accordance with the terms of the contracts.

s) <u>Fiduciary assets</u>

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group, and accordingly, are not included in the consolidated financial statements.

3. Cash and cash equivalents

Cash and cash equivalents represent cash held on current accounts at local banks.

(All amounts in Saudi Riyals unless otherwise stated)

4. Deposit, prepayments and other current assets

	Notes	2016	2015
Receivable to recover an advance for land	4.1	**3,206,357**	3,706,357
Project recoverable costs	4.2	**2,879,282**	3,262,238
Prepayments		**396,611**	1,149,666
Other receivable		**189,252**	213,510
Other		**695,116**	771,918
		7,366,618	9,103,689

4.1 This represents the remaining balance of the advance paid for the acquisition of a lot of land in respect of an investment fund which the Company intended to establish. Since, the Company was not able to obtain all the required licenses, it decided not to complete the purchase transaction and to seek refund of the advance paid.

4.2 These represent costs incurred in respect of investment funds under establishment which are recoverable from these funds subsequent to their commencement which is expected during 2017.

5. Available for sale investments

Investments comprise of units of local public investment funds and a local closed-ended real estate investment funds for which their fair value and movement in unrealized losses as of and for the years ended December 31, 2016 and 2015 is as below:

Held for trading	**2016**		**2015**	
	Fair value	**Movement in unrealized loss**	**Fair value**	**Movement in unrealized gain**
Available for sale				
Falcon Saudi Riyal IPO Fund	**-**	**395,764**	2,154,238	(820,720)
Wasatah IPO Fund	**-**	**53,846**	349,923	(53,846)
Baitk IPO Fund	**-**	**262,089**	947,848	(262,089)
Adeem and Ibn Saedan Al Fursan Villas Real Estate Fund*	**881,528**	**(118,472)**	1,000,000	-
	881,528	**593,227**	4,452,009	(1,136,655)

*This investment represents 10 units of Adeem and Bin Saedan - Al Fursan Villas Real Estate Fund, a local closed-ended real estate investment fund ("the Fund"). As of the consolidated balance sheet date, the number of the Fund units was 613.07 units and the net assets value of the Fund, with and without the consideration of fair market values of the real estate investments held amounted to Saudi Riyals 54 million (2015: Saudi Riyals 55.5 million) and Saudi Riyals 46.5 million (2015: Saudi Riyals 50 million), respectively.

The movement in the Group's available for sale investments during the years ended December 31, is as follows:

	2016	2015
Balance, January 1	**5,163,708**	16,179,428
Additions	**-**	12,607,367
Disposal	**(4,163,708)**	(23,623,087)
Balance, December 31	**1,000,000**	5,163,708
Change in fair value		
Balance, January 1	**(711,699)**	424,956
Movement in unrealized losses	**593,227**	(1,136,655)
Balance, December 31	**(118,472)**	(711,699)
	881,528	4,452,009

(All amounts in Saudi Riyals unless otherwise stated)

6. Property and equipment

Movement in operating property and equipment during the years ended December 31, 2016 and 2015 is as follows:

	Furniture and office equipment	Computers and software	Leasehold improvements, furniture and office equipment	Total
Cost:				
Balance as of January 1, 2016	**1,373,703**	**604,404**	**545,606**	**2,523,713**
Additions	**-**	**198,000**	**216,000**	**414,000**
Balance as of December 31, 2016	**1,373,703**	**802,404**	**761,606**	**2,937,713**
Accumulated depreciation:				
Balance as of January 1, 2016	**851,764**	**512,965**	**218,029**	**1,582,758**
Charge for the year	**196,476**	**140,939**	**315,749**	**653,164**
Balance as of December 31, 2016	**1,048,240**	**653,904**	**533,778**	**2,235,922**
Net book value:				
As of December 31, 2016	**325,463**	**148,500**	**227,828**	**701,791**

	Furniture and office equipment	Computers and software	Leasehold improvements, furniture and office equipment	Total
Cost:				
Balance as of January 1, 2015	1,311,272	604,404	545,606	2,461,282
Additions	62,431	-	-	62,431
Balance as of December 31, 2015	1,373,703	604,404	545,606	2,523,713
Accumulated depreciation:				
Balance as of January 1, 2015	618,282	361,864	108,908	1,089,054
Charge for the year	233,482	151,101	109,121	493,704
Balance as of December 31, 2015	851,764	512,965	218,029	1,582,758
Net book value:				
As of December 31, 2015	521,939	91,439	327,577	940,955

7. Share capital

As of December 31, 2016 and 2015, the Company's fully paid share Capital comprised of Saudi Riyals 60 million divided to 6 million shares stated at Saudi Riyals 10 per share, owned as follows:

Names of shareholders	Nationality	No of shares	%	Amount
First Investment Company	Kuwaiti	**2,400,000**	**40**	**24,000,000**
Rikaz Properties Company Limited	Saudi	**1,200,000**	**20**	**12,000,000**
Mr. Saleh Nasir Abdul Aziz Suraiye	Saudi	**600,000**	**10**	**6,000,000**
Mr. Nasr Omer Maqbool Hotami	Saudi	**600,000**	**10**	**6,000,000**
Mr. Mohamad Akram Abdullah Mandorah	Saudi	**360,000**	**6**	**3,600,000**
Mr. Saeed Saad Abdul Khaliq Martan	Saudi	**300,000**	**5**	**3,000,000**
Saudi Shada Company	Saudi	**240,000**	**4**	**2,400,000**
Mr. Abdul Rehman Mohammad Suleman	Saudi	**180,000**	**3**	**1,800,000**
Mr. Mohammad Saeed Damas Gamadi	Saudi	**60,000**	**1**	**600,000**
Mr. Omer Abdul Qadir Hafiz	Saudi	**60,000**	**1**	**600,000**
		6,000,000	**100**	**60,000,000**

(All amounts in Saudi Riyals unless otherwise stated)

8. Additional capital

Additional capital represents the amounts provided by two of the shareholders to support the Company's operations and it is expected to be used to increase the Company's share capital during 2017.

9. Statutory reserve

In accordance with its Article of Association and Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to transfer 10% of its net income for the year to a statutory reserve, after absorbing accumulated losses, until such reserve equals 50% of its share capital. This required percentage has been reduced to 30 % in accordance with the new Regulations for Companies issued May 6, 2016. However, the Company has not yet adjusted its Article of Association to reflect the new percentage. This reserve is not available for distribution. This reverser is for Adeem Capital Company. No transfer was made to the reserve in 2016 and 2015 as the Company incurred net losses.

10. Operating expenses

	Note	2016	2015
Salaries and other employee related expenses		**7,353,346**	6,603,416
Rental expense		**1,212,900**	1,353,500
Professional fees		**493,170**	880,064
Marketing expenses		**232,800**	818,179
Depreciation	6	**653,164**	493,704
Office expenses		**373,539**	345,802
Other		**443,027**	211,333
		10,761,946	10,705,998

11. (loss) / other income - net

	2016	2015
Realized (loss) / gain on sale of investments - net	**(1,099,144)**	177,535
Other	**115,523**	15,567
	(983,621)	193,102

12. Zakat

12.1 Group's Zakat provision

The movement in the Group's zakat provision for the year ended December 31 is as follows:

	2016	2015
Balance as at January 1	**768,069**	768,069
Zakat charge for the year	**145,320**	-
Balance at December 31	**913,389**	768,069

The Group's management believes that the provision provided as of December 31, 2016 is considered sufficient to cover the Group's Zakat liabilities for the years up to December 31, 2016.

(All amounts in Saudi Riyals unless otherwise stated)

12.2 Components of the Company's Zakat base

The Company's Zakat base consists of the following significant components:

	2016	2015
Share capital	**60,000,000**	60,000,000
Accumulated loss beginning of year	**(32,586,123)**	(24,446,554)
Statutory reserve	**100,082**	100,082
Net loss for the year (before share of subsidiary's loss)	**(7,156,643)**	(8,128,319)
Employee termination benefits	**342,814**	271,995
Available for sale investments	**(881,528)**	(4,452,009)
Investment in a subsidiary	**(135,000)**	(138,750)
Property and equipment	**(701,792)**	(940,955)
Approximate zakat base	**18,981,810**	22,265,490

12.3 Zakat status

The Company submitted its Zakat return for the years up to December 31, 2014 and obtained the Zakat certificates. The Company is in the process of filing its zakat return for the years ended December 31, 2015 and 2016.The Company has not yet received any final Zakat assessment since inception.

The Company files separate returns for the Company and the subsidiary. The subsidiary has not yet filed any Zakat return. The subsidiary's Zakat provision amounted to Saudi Riyals 15,000 as of December 31, 2016 (2015: Saudi Riyals 11,250) which was included in the Group's Zakat provision.

13. Related party transactions

Related party transactions comprise of transactions with funds under management and key management personnel in the Group's ordinary course of business, undertaken on mutually agreed terms. All related party transactions are approved by the management of the Company or the Fund's Board, as required.

Significant related party transactions for the years ended December 31 and balances arising from are summarized below:

Related party	Nature of transaction	Amount of transaction	Balance as of December 31, 2016	Amount of transaction	Balance as of December 31, 2015
Fund under management	Management fees	**715,931**	**4,246,774**	1,830,727	3,574,850
Fund under management	Custody fees	**22,534**	**109,830**	18,493	109,830
Fund under management	Offering fees	**2,062,500**	**-**	-	-
Fund under management	Structuring fees	**1,300,000**	**-**	150,000	-
Fund under management	Subscription fees	**40,693**	**-**	-	-
Due from related parties			**4,356,604**		3,684,680
Key management personal	Salaries and other short term benefits	**2,377,350**	**-**	2,582,014	-
Fund under management	Short term loan*	**(1,033,617)**	**8,966,383**	-	10,000,000

* On March 31, 2014, the Company signed a "Qard Hassan" loan agreement with Adeem and Bin Saedan - Al Fursan Villas Real Estate Fund, managed by the Company. The purpose of the loan is to finance Al Fursan Villa Project of the Fund. The loan will be repaid on the liquidation date of the fund on April 30, 2017.

(All amounts in Saudi Riyals unless otherwise stated)

14. Operating lease commitments

	2016	2015
Payments under operating leases recognized as an expense during the year	**1,212,900**	1,353,500

Obligation under operating lease due and irrevocable at the consolidated balance sheet date are as follows:

	2016	2015
2016	**-**	449,900
2017	**449,900**	449,900
2018	**224,950**	224,950
	674,850	1,124,750

These represent payments to be made under rental agreement in respect of Head Office and branch premises.

15. Loss per share

Loss per share from operating and net loss by dividing operating loss and net loss for by the weighted average to the number of shares outstanding of 6 million shares as of December 31, 2016 and 2015.

16. Fiduciary assets

The Group holds assets on behalf of its customers. As the Group acts in a fiduciary capacity, these assets are not included in the consolidated balance sheet. As of the consolidated balance sheet date, these assets amounted to Saudi Riyals 987 million December 31, 2016 (2015: Saudi Riyals 727 million).

17. Risk management

The Group's activities expose it to a variety of financial risks. These include market risk, credit risk and liquidity risk. The Group's overall risk management program seeks to maximize the returns derived for the level of risk to which the Group is exposed, and, to minimize potential adverse effects on the Group's financial performance. The Group's risk exposures and mitigates adopted are as follows:

Market risk
Market risk is the risk that changes in market prices, such as interest rates, credit spreads, equity prices and foreign exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The Group is subject to market risk related to its investments in mutual funds which are revalued on regular basis.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to manage credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. As of the consolidated balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amounts of cash at banks, due from a related party and loan to fund under management. Cash at banks is placed with local banks having sound credit ratings. Due from a related party represents accounts receivable from a fund under management in the ordinary course of the Company's business. Loan to fund under management represent short-term loan repayable on April 30, 2017.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other financial asset. The Group seeks to manage liquidity risk by ensuring, as far as possible, that it will have sufficient liquidity to meet its financial liabilities as and when they fall due, in normal or stressed conditions, without incurring unacceptable losses or risking damage to the its reputation.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on

its financial position and cash flows. As the majority of the Group's transactions are denominated in Saudi Riyals, the management believes that it is not exposed to currency risk.

18. Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are accounted for under the historical cost convention, except for the revaluation of held for trading and available for sale investments which are carried at fair value, differences can arise between the book values and fair value estimates. As at the reporting date, the management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

19. Capital adequacy

In accordance with CMA circular no, X/6/11098/14 dated Muharram 26, 1436H (corresponding to November 19, 2014), read in conjunction with Article 74(b) of the Prudential Rules by the CMA (the Rules), given below are the capital base, minimum capital requirement and total capital ratio of the Group:

	As of December 31,	
	2016 SR'000	**2015 SR'000**
Capital Base:		
Tier 1 Capital	**20,113**	26,183
Tier 2 Capital	**-**	-
Total Capital Base	**20,113**	26,183
Minimum Capital Requirement:		
Credit Risk	**13,221**	18,088
Market Risk	**-**	-
Operational Risk	**2,677**	2,544
Total Minimum Capital Required	**15,899**	20,632
Capital Adequacy Ratio:		
Total Capital Ratio (time)	**1.27**	1.27
Tier 1 Capital Ratio (time)	**1.27**	1.27
Surplus in Capital (SR'000)	**4,215**	5,552

a) The above information was extracted from the monthly Capital Adequacy model for December 31, 2016 and 2015 respectively which were submitted to CMA.

b) The Capital Base consists of Tier I and Tier II Capital as per Article 4 & 5 of the Rules. The Minimum Capital Requirements for Credit, Market, and Operational Risk are calculated as per the requirements specified in Part 3 of the Rules.

c) The Company is required to maintain adequate capital as specified in the Rules. The Capital Adequacy Ratio shall not be less than 1.

d) The Company's Business Objectives when managing Capital Adequacy is to comply with the Capital Requirements set forth by the CMA to safeguard the Company's ability to continue as a Going Concern, and to maintain a strong capital base.

e) The Company will disclose on annual basis certain information's as per Pillar III of the Prudential Rules for public on the Company website (www.adeemcapital.com), however these are not subject to review or audit by the external auditors of the Company.

20. Board of directors' approval

The consolidated financial statements were approved by the Board of Directors on March 27, 2017.

21. Subsequent events

During 2017, the shareholders resolved to reduce the Company's share capital by Saudi Riyals 15 million to absorb part of the Company's accumulated losses. Also, the shareholders resolved to increase the Company's share capital through cash contributions of Saudi Riyals 5 million. The legal formalities relating to these transactions still in progress as of the date of the approval of these consolidated financial statements.

A summary of the related balances before and after the recording of these transactions as of the date of the approval of these consolidated financial statements.

	Share capital SR'000	Number of Shares	Accumulated losses SR'000
Balances as of December 31, 2016	60,000,000	6,000,000	(39,869,336)
Partial absorption of the accumulated losses through the reduction of the share capital	(15,000,000)	(1,500,000)	15,000,000
Cash capital contribution	5,000,000	500,000	-
Balances as of the date of the approval of the consolidated financial statements	50,000,000	5,000,000	(24,869,336)